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July 17, 1996

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: Implementation of the Local Competition Provisions in the Telecommunications Act of 1996; CC Docket No. 96-98

Dear Mr. Caton:

Pursuant to §1.1206 of the Act (47 C.F.R. § 1.1206), an original and one copy of this letter are hereby submitted. On July 16, 1996, the above captioned docket was discussed during a meeting with Regina Keeney, Chief, Common Carrier Bureau, Larry Atlas, Kathy Levitz, Dana Bradford, and John Shapleigh, Executive Vice President of Brooks Fiber Properties. The attached handouts were used during the discussion of key issues. Kindly contact the undersigned if you have any questions in this matter.

Yours truly,

John C. Shapleigh

John C. Shapleigh

cc: Regina Keeney

Attachments

0+1

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BUSINESS

THE GRAND RAPIDS PRESS

SUNDAY, JULY 7, 1996

SLOW MOTION LINE

Competitive local phone service hung up between dream and reality

By Jim Harger

T[illegible] deregulation, consumers will soon be able [illegible] pick from several telephone companies.

[illegible] competition will build as each com[illegible] long distance [illegible] Internet and [illegible]

[illegible] The [illegible] have been [illegible] and renewed this [illegible] federal laws.

[illegible]

[illegible] competitor. The company complained it had to [illegible] weeks and then endured repeated reschedulings [illegible] could shed its Ameritech connection [illegible] it was a glitch.

[illegible] the battle lines between Ameritech and [illegible] have been drawn in three major [illegible]

- [illegible] for local telephone service.
- [illegible] for short-haul or "intraLATA" toll [illegible] within an area code. For instance, a [illegible] Holland and Grand Rapids or Grand [illegible] Traverse City is an interLATA call.
- [illegible] from long-distance carriers who [illegible]

see PHONES, E2

PHONES *The sense of urgenc[y] in local phone service is not universal*

CONTINUED FROM F1

want to purchase local phone services at wholesale prices from Ameritech so they can re-package the service with their more comprehensive telephone service.

Despite the allegations of foot-dragging, Ameritech has a powerful incentive to cooperate with these competitors.

New state and federal telecommunications laws, signed earlier this year, allow Regional Bell Operating Companies (RBOCs) like Ameritech to enter the lucrative inter-LATA market if they are willing to share their monopolies with competitors and can demonstrate that.

However, the two sides are arguing over the timing.

Ameritech's position

Ameritech officials say they don't want to give up their monopolies until they can enter the long-distance business. Otherwise, they argue, they will surely lose their share of the market to the competitors who use their local services to sell complete "one-stop services."

"Those long-distance carriers — who are much larger than us — they want at least a four-year head-start on competing with us in our business before we can compete against them in their business," says Harry Semerjian, vice president of corporate planning for Ameritech Michigan.

Despite the complaints of foot-dragging, Ameritech now claims it has met a 14-point test for opening up local competition as established by the new federal telecommunications act, Semerjian says.

He says Ameritech hopes to roll out its complete service package early next year. "We're simply going to be very, very tough competitors."

A snail's pace

Meanwhile, Ameritech's competitors say they are being bedeviled by slow service and slow responses to their efforts to jump into the local market.

Brooks Fiber, formerly known as City Signal and US Signal Corp. in Grand Rapids, has sued Ameritech and won cases before state regulators since it began offering local services.

But it's still been slow going, says Clift. Thus far, Brooks Fiber has won more than 2,500 local customers who use 10,000 lines. It still cannot offer local service throughout the entire Grand Rapids dialing exchange.

Brooks Fiber hopes to begin offering local service in the Holland-Zeeland, Dutton and Hudsonville exchange within the next eight weeks, says company President Larry VanderVeen. The company had originally planned to get hooked up in Holland and Zeeland by spring.

However, those inter-connections require cooperation from Ameritech, a rare commodity these days, says Clift. Ameritech typically needs two weeks notice to schedule a switch-over for a new Brooks Fiber customer, he says.

When Grand Rapids Plastics contracted with Brooks Fiber in early June, its scheduled switch-over time was changed three times by Ameritech, says Dean Truax, controller of the 215-employee company.

The switch-over, which had to be accomplished from two central switching offices, was handled by one Ameritech employee who took 2½ hours to get the job done, says Truax. "It should have taken 15 minutes," he says.

Ron Meschke, office manager of Excello Machine Co. Inc., says he had to run his office from a car phone for four hours while they waited for an Ameritech employee to complete a switch-over to Brooks Fiber.

Despite their best efforts to plan the switch-over carefully, Meschke says the move created "kind of a war zone over here."

Ameritech's Semerjian says the inter-connection problems are not part of a deliberate campaign to slow the pace of competition.

"When you're in the midst of a change as significant as the one you have with Brooks, there are bound to be situations where one party or the other has problems," he says.

Dail 1 for access

Other competitors have complained to the Michigan Public Service Commission.

Ten days ago, the PSC ruled Ameritech must provide "Dial 1" access for those competitors who want to sell intra-LATA services.

Competitors such as AT&T and MCI currently can sell "short-haul" long distance calls. But in most areas, callers are required to enter five-digit access codes before the calls can be billed to those competitors. With "Dial 1 parity," customers can use those carriers simply by dialing "1" before making the call.

Richard McClellan, a Lansing lobbyist who heads the Michigan Competitive Telecommunications Providers Association, says "short haul" is a $700 million chunk of business Ameritech is loath to give up.

As required by the new state law, Ameritech had opened up 10 percent of its Michigan market to "Dial 1 parity" in January. But Ameritech has refused to follow a PSC timetable for "Dial 1 parity" in at least 50 percent of its market by May 1.

The PSC backed the competitors, ruling that Ameritech must open 99 percent of its territory to "Dial 1 parity" by December. Ameritech officials say they probably will appeal the ruling or ask for a re-hearing.

McLogan to negotiate

Another set of regulatory knots have been created among competitors who want to re-sell Ameritech's local service as part of a comprehensive telephone package.

The PSC recently appointed former Public Service Commissioner Matt McLogan, of Grand Rapids, to mediate the stalled negotiations between Ameritech and AT&T and MCI. A PSC spokeswoman said the companies involved in negotiations will pay for his services.

AT&T spokesman Oriano Pagnucci says AT&T requires a 25 percent to 30 percent reduction from Ameritech's retail price if it expects to compete as a re-seller of local phone services.

However, other issues also enter the debate. One big issue is "number portability," which allows customers to keep their phone numbers regardless of what company they use.

Other issues such as billing, operator assistance and "call branding" also play a role in the complex talks, Pagnucci says.

PSC Chairman John Strand said the three-member board chose McLogan to mediate the dispute to get competition underway more quickly.

Pulling back

Meanwhile, another would-be competitor, LCI International, announced Tuesday it was withdrawing from formal negotiations with local carriers such as Ameritech, GTE and Cincinnati Bell.

LCI, which attained a large share of Grand Rapids' long distance market when it acquired Grand Rapids-based Teledial America, has been licensed to provide local service in the Grand Rapids area since late April.

LCI will wait until new federal regulations are published in August before it renews its negotiations with Ameritech, said Doug Kinkoph, LCI's director of regulations.

Although LCI could have pushed for arbitration with Ameritech and other regional Bells, Kinkoph says several of the regional Bells have refused to negotiate at all as the arbitration deadline loomed.

"We didn't have anything to arbitrate," he said.

Randy Veltkamp, vice president of LCI's Grand Rapids offices, says a local license was no guarantee his company would be able to go into the local telephone business anytime soon.

"... you've got the documents say[illegible]

In taking these step , however, the Commission must not foreclose the ability of CLECs to obtain "bill and keep" mutual compensation arrangements. Such arrangements are specific lly provided for in Section 252(d)(2)(B)(i) of the 1996 Act, and must be made availab e to CLECs at their option.

VIII. THE COMMISSION SHOULD ORDER A "FRESH LOOK" PERIOD FOR THE PROVISION OF NEW COMPETITIVE SERVICES MADE AVAILABLE BY THE 1996 ACT

[NOT SPECIFICALLY ADDRESSED IN NPRM]

The 1996 Act allows CLECs to offer competitive services in markets that previously were closed to hem. Full competitive entry is not yet available, however, and will not be for a numb r of months, until the local competition provisions of the 1996 Act are implemente Recently, however, in anticipation of this coming competition, the ILECs ha e been aggressively offering inducements to their local service customers to sign long-term contracts. In so doing, the ILECs are attempting to lock up the local services market, and to foreclose competitive entry for years.

This situatic is identical to the ILECs' response to the Commission's mandatory central office ollocation rules. In that case, the Commission found that "[t]he existence of certain long-term special access arrangements with excessive termination liabilities pre ents customers from obtaining the benefits of greater access to competition for a significant period," and so instituted a "fresh look" period.[11] Under the Commission's fresh look policy, customers that signed long-term contracts with ILECs before competitive service alternatives were available were given a chance to terminate the contracts with minimal liability for a period of six months after collocation-based competition became available.

Precisely the same relief is warranted in the instant case. Like central office collocation, the local competition requirements of the 1996 Act allow CLECs to provide competitive local services for the first time. Because ILEC local service customers that have signed long-term contracts did not have competitive alternatives available to them, they should be granted a similar fresh look opportunity for six months after a CLEC is first able to provide local service through the interconnection arrangements mandated by the 1996 Act.

IX CONCLUSION

For the reasons discussed above, ICI urges the Commission to adopt specific rules governing collocation and interconnection and the unbundling and pricing of ILEC network elements. The establishment of such rules is essential to provide uniformity and regulatory certainty to competitive carriers that are increasingly operating

11 *Expanded Interconnection With Local Telephone Company Facilities*, 8 FCC Rcd 7341, para 12 (1993).

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Implementation of the Local	)	CC Docket No. 96-98
Competition Provisions in the	)	
Telecommunications Act of 1996	)	

INTERMEDIA COMMUNICATIONS, INC.
COMMENTS CONCERNING THE INTERCONNECTION AND SERVICE
UNBUNDLING PROVISIONS OF THE TELECOMMUNICATIONS ACT OF 1996

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INTERMEDIA COMMUNICATIONS, INC.

May 16, 1996

St. Louis Business Journal

48 Pages 2 Sections — http://www.amcity.com/stlouis — July 1-7, 1996

Southwestern Bell lets apartment owners' fingers do the walking

By TIM McLAUGHLIN

Southwestern Bell is reaching out and touching St. Louis apartment owners and managers to protect the company's dominance in the local telephone service market.

Under a five-state initiative called SmartMoves, Southwestern Bell is paying apartment owners and managers commissions to act as the company's agents to sign up local telephone and cellular service customers.

"It's like pennies from heaven," said Jon Pyzyk, president and owner of Clayton-based Kohner Properties Inc. His apartment company was one of the first in the area to strike a deal with Southwestern Bell's SmartMoves program. Several others have followed suit.

"My sense is that it's going to be a service for our customers," Pyzyk said. "When you have to sign up for telephone service it's like, 'Just get it over with.'"

Pyzyk estimated his apartment company's recent four-year agreement with Southwestern Bell will bring $800,000 in additional revenue to Kohner Properties.

Southwestern Bell executives launched the program as a pre-emptive strike against their competition. They realize the

See BELL on page 30A

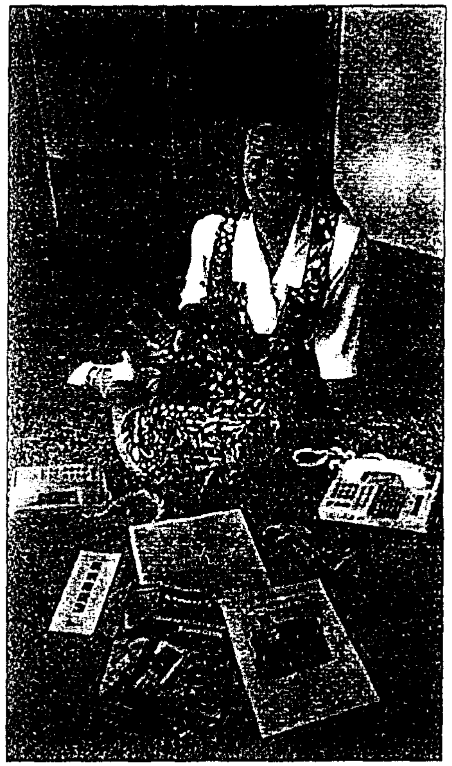

Photo by Peter Newcomb

Tonya McGrath, a Kohner property manager at University Plaza apartments, with materials she will use to sell tenants on Southwestern Bell service.

Bell

Continued from page 1A

company can no longer take for granted that people will always call Southwestern Bell for local telephone service, said John A. Leber Jr., an account executive for the SmartMoves program. He estimated Southwestern Bell controls at least 98 percent of the local telephone service market.

Leber said Southwestern Bell wants to [illegible] apartment owners before the competition moves into the local telephone market. Deregulation allows companies like AT&T and MCI to purchase Southwestern Bell service lines at wholesale and then resell them to their customers.

"It's a real live threat," said David Otto, a telecommunications analyst for Edward Jones Co. "Whereever you see a cluster of people, it's pretty easy to wire up 1,000 people. TCI Cable, for example, has an entire division of people devoted to signing up customers for local telephone service."

GE Rescom, a subsidiary of GE Capital, which is owned by General Electric, has cut deals with at least nine apartment complexes in the St. Louis area, offering a commission structure similar to Southwestern Bell's, Leber said.

Leber said he couldn't disclose how much Southwestern Bell has budgeted for the SmartMoves program. "But we're not giving away the farm," he added.

Tonya McGrath, a Kohner property manager for University Plaza apartments, 607 N. Grand Ave., in midtown St. Louis, said her commissions should double as a result of Kohner's agreement with Southwestern Bell. Kohner employees will receive an undisclosed percentage of the largesse, with the remaining money going to the company, Pyzyk said.

As part of the company's existing bonus structure, Kohner maintenance, janitorial and other on-site workers will receive a piece of the commission pie. Kohner currently has 5,000 apartments in its real estate portfolio.

In a time of increased competition due to telecommunications deregulation at the state and federal level, Southwestern Bell targeted the apartment industry to tie up customers in bundles. Leber said the company has plans to strike similar deals with residential developers.

"When new homeowners select the color of their carpet, they can pick their phone service too," he said.

By the end of this year, the SmartMoves plan should have nearly 15,000 apartment units under contract in the St. Louis area, Leber said.

To date, SmartMoves has signed up several apartment owners and managers in the St. Louis area, including Nooney Krombach Co. and Centerco Properties. The program also is under way in Kansas, Oklahoma, Texas and Arkansas.

Besides the financial incentives involved, Pyzyk likes the program because of its simplicity. When new and existing apartment tenants want local telephone or cellular service, they can fill out a form provided by a Kohner leasing agent or property manager. The information is then faxed to a Southwestern Bell office, where a service order will be placed without the necessity of a telephone call. Apartment agents also will hawk additional calling features like caller ID and cellular phone packages, for example.

According to the SmartMoves commission structure, a Kohner leasing agent will receive $5 for signing up a tenant for local telephone service. A property manager like McGrath will receive a $2 commission, even though she doesn't have to do any paperwork.

Signing up tenants for cellular service, for example, is even more lucrative. Kohner leasing agents will receive a $20 commission per customer, with the property manager collecting a $10 commission.

McGrath said she figures to do well at University Plaza because a lot of her tenants are St. Louis University students, creating a high turnover rate for the property.

The 1995 annual report of SBC Communications Inc., the holding company for Southwestern Bell, details the threats to its turf by local service providers: "Some of these providers have built fiber optic 'rings' throughout large metropolitan areas to provide transport services (generally high-speed data) for large business customers and interexchange carriers."

"Southwestern Bell will do very well in individual choosing because of its brand name," Otto said. "But the problem comes when a cable company, for example, offers an apartment owner money. This is already happening in Texas...These are the seeds of competition that we see. It's not just AT&T that can knock on your door, but pretty much anybody."